

- b. Multiply the adjusted relative weight (Column 3) by the percent growth (Column 4) as calculated in a.2. above. (i.e.,  $.8507 \times 5.7\% = 4.849$ ).
- c. The amounts determined in b above are totaled. This results in the Education Trend Factor (i.e., Column 5, line 25,  $4.849 + .747 = 5.595$ ).

### Labor Percentage

The Labor Percentage is the sum of the relative weights for the expense categories 1) wages and salaries and 2) employee benefits. (i.e.,  $55.83 + 9.80 = 65.63$ ) See example on page 26k.

### Wage Factor Computation

The wage factor is used in determining the operating cap. Its computation is as follows:

1. Hospital wages and hours from the most recent HCFA wage study available (i.e., 1984) are separated into urban and rural areas as appropriate to Mississippi hospitals.

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2. The hospital wages for each area (i.e., Column 1, page 26k) are divided by the hospital hours for each area (i.e., Column 2, page 26k) resulting in an average hourly wage by area.
3. The appropriate average hourly wages by area are averaged (Column 3) to determine the statewide average hourly wage.
4. The ratio of the area hourly to the statewide hourly wage (i.e.  $7.45 / 7.02 = 1.06$ ) is the wage factor for that area. (see Column 4, page 26k).

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DIVISION OF MEDICAID  
COMPUTATION OF HOSPITAL INFLATION FACTOR  
FISCAL YEAR ENDING JUNE 30, 1990

1	2	3	4
EXPENSE CATEGORY	HISTORICAL	RELATIVE	MOVING
	MOVING %	WEIGHT	AVG %
	QTR 88:4	1	2 * 3
1 WAGES & SALARIES	4.8	0.5583	2.680
2 EMPLOYEE BENEFITS	3.9	0.0980	0.382
3 PROFESSIONAL FEES	4.7	0.0076	0.036
4 MALPRACTICE INS	21.7	0.0066	0.143
5 FUEL & UTILITIES	-1.5	0.0318	-0.047
6 FOOD	4.5	0.0358	0.160
7 OTHER	4.4	0.2623	1.418
8			
9 TOTAL		1.0000	
10 ANNUALIZED INFLATION RATE			4.770
11			
12			
13			
14			
15			
16			
17 ANNUALIZED INFLATION RATE			4.77
18 /12= MONTHLY INFLATION RATE			0.40
19			
20	MONTH		INFLATION
21	YEAR		FACTOR
22	ENDS		
23			
24	DEC 87		4.77
25	JAN 88		4.37
26	FEB 88		3.98
27	MAR 88		3.58
28	APR 88		3.18
29	MAY 88		2.78
30	JUN 88		2.39
31	JUL 88		1.99
32	AUG 88		1.59
33	SEP 88		1.19
34	OCT 88		0.80
35	NOV 88		0.40
36	DEC 88		0.00

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DIVISION OF MEDICAID  
COMPUTATION OF EDUCATIONAL INFLATION FACTOR  
FISCAL YEAR ENDING JUNE 30, 1990

1 EXPENSE CATEGORY	2 HISTORICAL MOVING % QTR 88:4	3 RELATIVE WEIGHT 1	4 ADJ REV WEIGHT C3/C3L4	5 ED INFLATION C2 * C4
1 WAGES & SALARIES	4.8	0.5583	0.8507	4.083
2 EMPLOYEE BENEFITS	3.9	0.0980	0.1493	0.582
3				
4 TOTAL	8.7	0.6563	1.0000	4.665
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17 ANNUALIZED INFLATION RATE				4.67
18 /12= MONTHLY INFLATION RATE				0.39
19				EDUCATION
20	MONTH			INFLATION
21	YEAR			FACTOR
22	ENDS			
23				
24	DEC 87			4.67
25	JAN 88			4.28
26	FEB 88			3.89
27	MAR 88			3.50
28	APR 88			3.11
29	MAY 88			2.72
30	JUN 88			2.33
31	JUL 88			1.94
32	AUG 88			1.56
33	SEP 88			1.17
34	OCT 88			0.78
35	NOV 88			0.39
36	DEC 88			0.00

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DIVISION OF MEDICAID  
COMPUTATION OF HOSPITAL TREND FACTORS  
FISCAL YEAR ENDING JUNE 30, 1990

1	2	3	4	
EXPENSE CATAGORY	RELATIVE WEIGHT	PERCENT GROWTH	TREND FACTOR	
	1	2 89:4	2*3	
1 WAGES & SALARIES	55.83	5.70%	3.182	
2 EMPLOYEE BENEFITS	9.80	5.00%	0.490	
3 PROFESSIONAL FEES	0.76	5.90%	0.045	
4 MALPRACTICE INS	0.66	20.80%	0.137	
5 FUEL & UTILITIES	3.16	5.00%	0.158	
6 FOOD	3.56	6.50%	0.231	
7 OTHER	26.23	5.40%	1.416	
8				
9 TOTAL	100.00			
10 TREND FACTOR			5.659	
11				
12				
13				
14				
15				
16 COMPUTATION OF EDUCATION TREND FACTOR				
17 1	2	3	4	5
18 EXPENSE CATAGORY	RELATIVE	ADJUSTED	PERCENT	TREND
19	WEIGHT	RELATIVE	GROWTH	FACTOR
20	1	WEIGHT	2 89:4	3*4
21				
22 WAGES & SALARIES	55.83	0.8507	5.70%	4.849
23 EMPLOYEE BENEFITS	9.80	0.1493	5.00%	0.747
24				
25 TOTAL	65.63	1.0000		
26 EDUCATION TREND FACTOR				5.596

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Transmittal # 89 - 5

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HOSPITAL RATE SETTING  
LABOR PER CENT COMPUTATION

1 EXPENSE CATEGORY	2 RELATIVE WEIGHT
WAGES AND SALARIES	55.83
EMPLOYEE BENEFITS	9.80
	-----
LABOR PER CENT	65.63
	-----

HOSPITAL RATE SETTING  
WAGE FACTOR COMPUTATION

	1 HOSPITAL WAGES 1984	2 HOSPITAL HOURS 1984	3 AVERAGE HOURLY WAGES	4 WAGE FACTOR
SMSA				
MEMPHIS	\$289,843,191	34,666,358	\$8.36	1.1909
	-----			
JACKSON	\$94,907,460	12,734,269	\$7.45	1.0613
BILOXI	27,317,727	4,038,956	\$6.76	0.9630
PASCAGOULA	21,055,622	2,730,822	\$7.71	1.0983
RURAL	262,381,425	42,743,297	\$6.14	0.8746
			-----	
TOTAL			28.06	
			+ 4	
			-----	
STATEWIDE AVERAGE			\$7.02	
			-----	

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This section is omitted.

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	<u>SUPERSEDES</u>	DATE APPROVED	<u>MM</u>
TN NO	<u>81-01</u>	DATE EFFECTIVE	

OCT 11 1988

APPENDIX ERATE ADJUSTMENT FOR SERVING A DISPROPORTIONATENUMBER OF MEDICAID PATIENTS

Section III K 5, of the Plan provides for the adjustment of a hospital's Medicaid prospective rate if it serves a disproportionate number of Medicaid patients.

The operating component of the Medicaid prospective rate may be increased as much as, but not more than, five per cent (5%).  
(See Note).

Following is the computation of the increased rate using Hospital A in Appendix A as the example.

	<u>DSH ADJ.</u>	<u>DSH/OUTLIER ADJ.</u>
Operating Component without Cap		77.31
Operating Component without Adj.	68.00	
Adjustment	<u>5%</u>	<u>5%</u>
Amount of Increase	3.40	3.87
Adjusted Operating Component	71.40	81.18
Educational Component	7.89	7.89
Capital Component	<u>9.78</u>	<u>9.78</u>
New Rate Adjusted for DSH	<u>89.07</u>	<u>98.85</u>

Note: The DSH adjustment will be 4% for rural hospitals and 5% for non-rural hospitals.

The DSH/Outlier adjustment is effective 7/1/89

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SUPERSEDES

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MISSISSIPPI

APPENDIX F

Limitation on Depreciation, Interest, and Return on Equity, where a Change of Ownership is Involved

I. Change in Ownership of Depreciable Assets

A. For purposes of this plan, a change in ownership of assets includes, but is not limited to, inter vivos gifts, purchases, transfers, lease arrangements, cash and/or stock transactions or other comparable arrangements whenever the person or entity acquires a majority interest of the facility. The change of ownership must be an arm's length transaction consummated in the open market between non-related parties in a normal buyer-seller relationship. In a case in which a change in ownership of a provider's depreciable assets occurs, and if a bona fide sale is established, the Title XIX basis for depreciation will be the lower of:

1. the portion of the purchase price properly allocable to a depreciable asset; or
2. the fair market value of the depreciable asset determined by an independent appraiser who is a member of the American Institute of Real Estate Appraisers or a Senior member of the Society of Real Estate Appraisers; or
3. the allowable cost basis under Title XVIII (Medicare) cost principles to the owner of record on July 18, 1984.

Transmittal #84-37

Rec'd \_\_\_\_\_ PCO-11 # 84-37 Dated \_\_\_\_\_  
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\_\_\_\_\_